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## Chile

### TREE NUTS ANNUAL

#### Almond and Walnut Annual

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**Report Highlights:**

Almond production and exports are expected to increase this year mainly due to favorable weather conditions together with new-planted areas coming into production. But walnut production fell in MY2008/2009 when compared to the previous year due to adverse weather conditions.

**Executive Summary:**

Chile's walnut production and exports in MY2008/09 are expected to fall mainly due to higher than normal temperatures which did not allow enough accumulation of cold hours which affects budding total output. For the coming year, another mild winter will affect walnut production again and a similar than this year output is expected. For the outer years output will continue to expand as a result of improved technologies, replacement of

uprooted orchards with improved varieties and a significant increase in planted area. Almond production and exports are expected to expand as planted area continues to grow and weather has been favorable in all production areas.

## **Commodities:**

Almonds, Shelled Basis

## **Production:**

As a result of unfavorable weather conditions during the winter of CY2007 and a large bumper crop in MY2007/2008, production of almonds resulted smaller than both, last year's output and our previous estimates. An expansion is expected for next year as again new planting are coming into production and weather has been more favorable. Total almond production will easily exceed 11,000 metric tons (shelled basis) in the coming years as producers keep expanding their planted area in response to good economic returns when compared to other crops. This forecast assumes normal weather conditions throughout the season. Industry sources indicate that currently close to 70 percent of Chile's planted area is in production.

## **Crop Area**

Although almond trees are planted from Region IV (La Serena) down to Region VIII (Chillan), over 80 percent of the total planted area is in the central regions, specifically Region VI (Rancagua) and the Metropolitan Region (Santiago). Almonds are planted on irrigated land and average yields are estimated to be between 800 Kg to slightly over one metric ton per hectare. An estimated 60 percent of the production comes from medium size producers who have from 6 to 25 hectares planted with average production of 2 to 3 thousand Kilos per hectare, although there are also some with less than 1,000 Kg. per hectare. Industry sources report that although many producers are increasing their plantings, total planted area in Chile is not expected to exceed 15,000 hectares, as almonds compete with avocados and citrus for the best production areas. These crops have the same constraints: soil and weather (rainfall and frost). New avocado and citrus (mainly tangerines) plantings have exploded during the last few years as a result of excellent economic returns. Although Chile has no special advantages in almond production, industry sources indicate that in the next 5 to 7 years an estimated 500 hectares will be planted every year. Out of this total approximately 250 hectares will replace old aging orchards and 250 hectares will correspond to new-planted area.

## **Inputs**

Nonpareil is the main variety planted, accounting for 48 percent of the total planted area. Other varieties like Carmel, Merced, Solano and Price are used mainly for pollination. Industry sources have indicated that an increasing number of producers are planting new varieties developed from varieties coming from Spain like Madera and Allinone. All commercial almond orchards are planted on irrigated land. However, only an estimated 40 percent of the planted area has modern irrigation systems (drip irrigation).

## **Trade:**

Most almonds exported are shelled and sent to markets where Chile has tariff preferences like Argentina, Brazil, Colombia, Venezuela and the European Union (Spain, Italy and the Netherlands). India is also an important market for in-shell almonds. Industry contacts are very optimistic about the benefit of a Chile-India free trade agreement for their sector. They expect duties to be significantly reduced from the current US\$0.80 per Kg for in-shell almonds and US\$2.30 per Kg for shelled almonds.

Chile also imports almonds, mainly from the United States. Industry sources report that imports are mainly used by the confectionery industry and are a smaller size than the ones produced in Chile.

**Policy:** There are no specific Government policies regulating or benefiting almond production in Chile. The general import duty on almonds is 6 percent. However, as a result of the US-Chile Free Trade Agreement, US almonds enter Chile duty free.

### Production, Supply and Demand Data Statistics:

Almonds, Shelled Basis Chile	2007			2008			2009	
	2007/2008			2008/2009			2009/2010	
	Market Year Begin: Aug 2007			Market Year Begin: Aug 2008			Market Year Begin: Aug 2009	
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data	Jan
			Data			Data		Data
Area Planted	7.850	7.850	7.850	8.100	8.100	8.000	0	8.100
Area Harvested	6.400	6.400	6.400	6.500	6.500	6.100	0	6.450
Bearing Trees	2.210	2.210	2.210	2.240	2.240	2.102	0	2.227
Non-Bearing Trees	500	500	500	555	555	660	0	568
Total Trees	2.710	2.710	2.710	2.795	2.795	2.762	0	2.795
Beginning Stocks	300	542	300	500	842	2.079	500	210
Production	8.800	8.800	9.000	9.500	9.500	8.000	10.000	9.600
Imports	1.750	1.500	1.763	1.500	1.500	1.595	1.500	1.500
Total Supply	10.850	10.842	11.063	11.500	11.842	11.674	12.000	11.310
Exports	5.500	6.500	5.534	6.700	7.800	7.864	6.000	7.500
Domestic Consumption	4.850	3.500	3.450	4.300	3.700	3.600	5.650	3.600
Ending Stocks	500	842	2.079	500	342	210	350	210
Total Distribution	10.850	10.842	11.063	11.500	11.842	11.674	12.000	11.310

### Export Trade Matrix

Country	Chile		
Commodity	Almonds, Shelled Basis		
Time Period	Jan-Dec	Units:	M.T.
Exports for:	2008		2009
U.S.	13	U.S.	-
Others		Others	
Argentina	1.103	Brazil	684
Brazil	1.070	Italy	585
Venezuela	747	México	424
Italy	683	Spain	386
Spain	444	Argentina	320
Mexico	405	United Arab E.	311
Colombia	306	Turkey	243
Netherlands	144	Venezuela	182
United Arab E.	120	U.K.	142
Ecuador	104	Germany	126
Total for Others	5.126		3.403
Others not Listed	850		712

Grand Total	5.989	4.115
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Note: 2009 data is from January through July only.

## **Commodities:**

Walnuts, Inshell Basis

## **Production:**

A milder than normal winter (May through August 2008) and not enough accumulation of cold hours had a negative effect on budding and production. As a result total output in MY2008/2009 is expected to be smaller than both, our previous forecasts and last years total production in spite of a larger area harvested as new planted area are coming into production. The industry forecasts production for MY2009/2010 to be similar than this year as this winter has been also milder than normal. Although it is still early in the production season, higher than normal temperatures are expected to have a negative effect on budding and total output. For the outer years, as an increasing number of producers have been adopting improved technologies like pruning and drip irrigation, together with a larger planted area coming into production total output is forecast to expand. Producers also are expected to continue to replace aging orchards with improved varieties, increase grafting of their lowest-yielding trees, and expand planted areas as economic returns have been good when compared to alternative crops. Thus, the long-term forecast is that production will continue to expand. This forecast assumes normal weather conditions throughout the season.

## **Crop Area**

Although walnuts are planted from the Third Region (Copiapo) down to the Ninth Region (Temuco), over 90 percent of this crop is planted in the central areas, specifically Region Five (San Felipe-Los Andes), the Metropolitan Region (Santiago) and Region Six (Rancagua). The two main factors for the overall increase in planted area are a continuous deterioration in the profitability of alternative fruit crops and the relatively good prices obtained by walnut producers during the last five years. But industry sources indicated that a more moderate expansion in total planted area can be expected in the coming years.

## **Inputs**

All commercial walnut orchards are planted on irrigated land. However, until now only an estimated 60 percent of the planted area has modern irrigation systems. As a result, when there is not enough water supplied from wells, rivers and streams flowing from the Andes Mountains, water availability becomes an important factor limiting production, mainly in Regions V and VI, where output can be affected significantly. The average orchard size is 10 to 15 hectares, which is double the size of orchards in France and half the size of orchards in the US.

Although a large percentage of walnut trees in production in Chile originate from seeds, budding and grafting of new and improved varieties like Serr and Chandler has increased in recent years. Industry sources indicated that there is still an estimated 30 percent of the total planted area that originated from seeds.

Increasing labor costs are an important factor affecting walnut production and processing. Chile has a competitive quality advantage in shelled walnuts, since almost all shelled walnuts are hand-cracked. Although the premium

Chile obtains from this quality advantage has thus far continued to encourage hand-shelling; increased labor costs may mean that Chile could lose this advantage in coming years. In the case of walnut production, labor represents 70 % of total costs. As reported by some producers, production costs for walnuts are estimated to be between US\$2,300 and US\$2,500 per hectare, in Chile.

**Consumption:**As with most other Chilean fruits, domestic walnut consumption is a residual of the export market. If international prices are low, exports fall off and domestic consumption increases as the larger supply drives domestic prices down. However, domestic demand does not drive consumption or determine market prices.

### Trade:

The EU countries lead by Italy, Spain and Turkey are Chile's main export market for walnuts, they accounts for more than 60% of total exports. As production continues to expand in the coming years due to the increase in planted area, and improvements in orchards begin to bear fruit, total exports will expand further.

Varying amounts of mostly unshelled walnuts are being imported. Industry sources indicated that some of these imports correspond to walnuts that are sized and/or shelled and re-exported.

### Stocks:

There is no trade or official statistics available on Chile's average stocks. However, exporters normally do not carry over stocks.

**Policy:**There are no specific Government policies regulating or benefiting tree nut production in Chile. The general import duty on walnuts is 6 percent except for countries with which Chile has signed trade agreements. As a result of the US-Chile Free Trade Agreement trade of walnuts between both countries face a zero duty.

### Production, Supply and Demand Data Statistics:

Walnuts, Inshell Basis Chile	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Mar 2008			Market Year Begin: Mar 2009			Market Year Begin: Mar 2010		
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Jan
			Data			Data			Data
Area Planted	12.057	12.057	12.057	14.575	14.575	14.575			14.980
Area Harvested	7.840	7.840	7.840	9.366	9.366	9.366			9.830
Bearing Trees	940	940	940	1.124	1.124	1.124			1.180
Non-Bearing Trees	510	510	510	626	626	626			618
Total Trees	1.450	1.450	1.450	1.750	1.750	1.750			1.798
Beginning Stocks	481	481	481	331	331	847			671
Production	23.200	23.200	24.800	25.500	25.500	22.300			22.500
Imports	50	50	42	50	50	24			40
Total Supply	23.731	23.731	25.323	25.881	25.881	23.171			23.211
Exports	21.400	21.400	21.476	23.500	23.500	20.000			20.000
Domestic Consumption	2.000	2.000	3.000	2.000	2.000	2.500			2.600
Ending Stocks	331	331	847	381	381	671			611
Total Distribution	23.731	23.731	25.323	25.881	25.881	23.171			23.211

### Export Trade Matrix

#### Country

#### Commodity

#### Time Period

#### Exports for:

#### U.S.

#### Chile

#### Walnuts, In shell Basis

Jan-Dec	Units:	M.T.
2008		2009
-	U.S.	-

Others		Others	
Brazil	4.638	Turkey	5.951
Italy	3.692	Italy	2.153
Spain	3.254	Spain	952
Germany	2.024	Germany	610
Portugal	1.424	Netherlands	255
Turkey	1.368	Portugal	207
Netherlands	1.224	Switzerland	143
Switzerland	850	Brazil	140
Venezuela	594	Ecuador	95
Austria	543	Morocco	77
Total for Others	19.611		10.583
Others not Listed	1.687		262
Grand Total	21.298		10.845

Note: 2009 data is from January through July only.